

WEBSTER COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2012

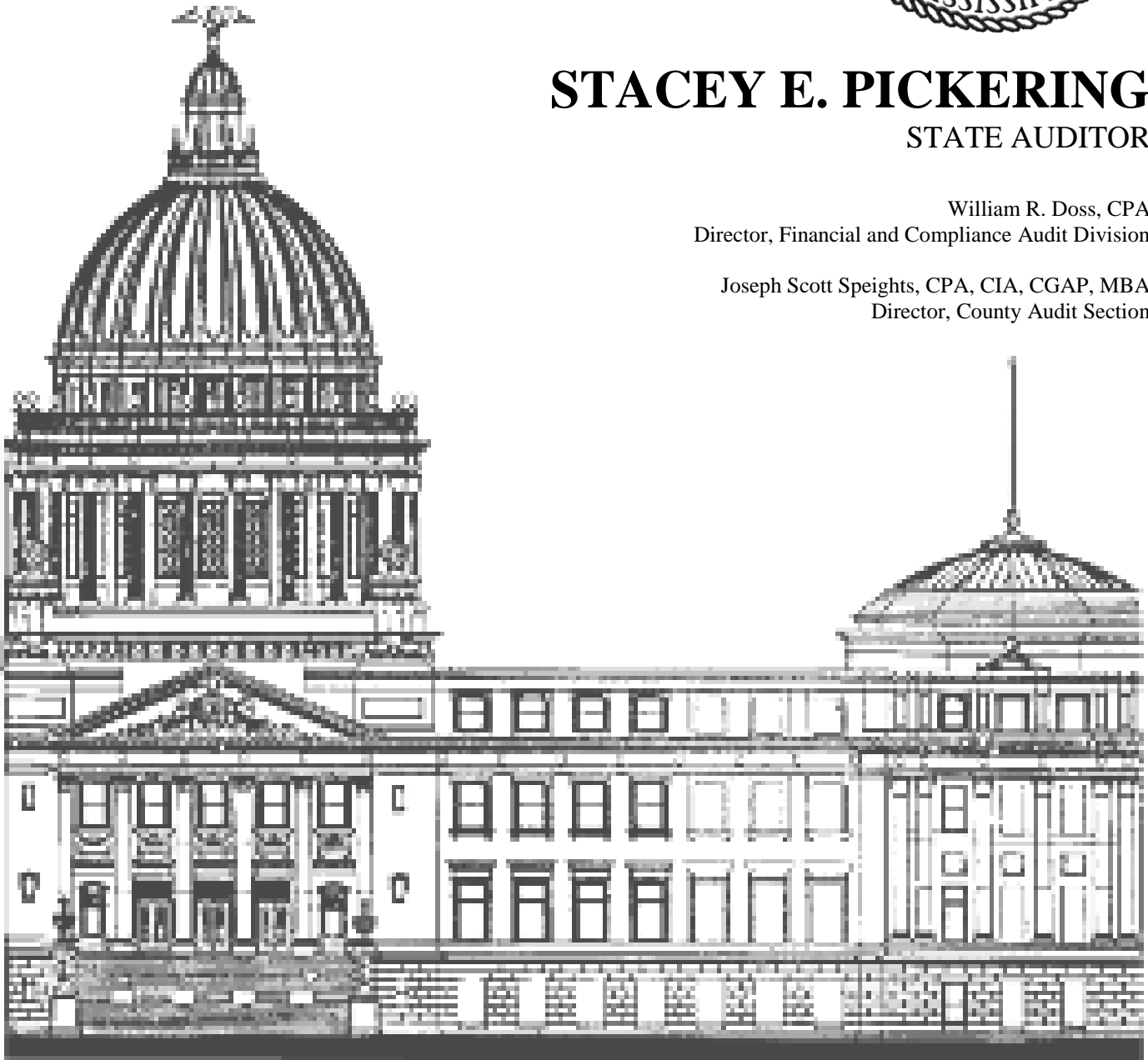


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

Joseph Scott Speights, CPA, CIA, CGAP, MBA
Director, County Audit Section



A Report from the County Audit Section

www.osa.state.ms.us



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

December 10, 2013

Members of the Board of Supervisors
Webster County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2012 financial and compliance audit report for Webster County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of Webster County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Webster County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", is written over a horizontal line.

Stacey E. Pickering
State Auditor

WEBSTER COUNTY

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WEBSTER COUNTY

FINANCIAL SECTION

WEBSTER COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Webster County, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Webster County, Mississippi, (the County) as of and for the year ended September 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error. Our responsibility is to express opinions on these financial statements based on our audit.

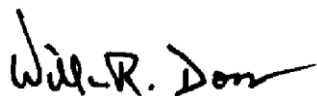
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, Webster County, Mississippi prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund and the aggregate remaining fund information of Webster County, Mississippi, as of September 30, 2012, and the respective changes in cash basis financial position thereof for the year then ended, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2013, on our consideration of Webster County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Webster County, Mississippi's basic financial statements. The Budgetary Comparison Schedules, Schedule of Capital Assets, Schedule of Changes in Short-term Debt, Schedule of Changes in Long-term Debt, Schedule of Surety Bonds for County Officials and corresponding notes are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on such information.

A handwritten signature in black ink that reads "Will R. Doss". The signature is written in a cursive, flowing style.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

December 10, 2013

WEBSTER COUNTY

FINANCIAL STATEMENTS

WEBSTER COUNTY

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WEBSTER COUNTY
Statement of Net Assets - Cash Basis
September 30, 2012

Exhibit 1

| | Primary Government |
|---------------------------|---------------------|
| | Governmental |
| | Activities |
| ASSETS | |
| Cash | \$ 1,877,747 |
| Total Assets | <u>1,877,747</u> |
| NET ASSETS | |
| Restricted: | |
| Expendable: | |
| General government | 34,779 |
| Public safety | 83,351 |
| Public works | 1,189,569 |
| Culture and recreation | 14,957 |
| Debt service | 25,544 |
| Unemployment compensation | 9,301 |
| Unrestricted | <u>520,246</u> |
| Total Net Assets | <u>\$ 1,877,747</u> |

The notes to the financial statements are an integral part of this statement.

WEBSTER COUNTY
Statement of Activities- Cash Basis
For the Year Ended September 30, 2012

Exhibit 2

| Functions/Programs | Cash Disbursements | Program Cash Receipts | | | Net (Disbursements) |
|--|-----------------------|-------------------------|--|--|---|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Receipts and Changes in Net Asset Primary Government |
| | | | | | Governmental Activities |
| Primary government: | | | | | |
| Governmental activities: | | | | | |
| General government | \$ 1,892,578 | 207,198 | 112,142 | | (1,573,238) |
| Public safety | 985,909 | 129,450 | 707,074 | | (149,385) |
| Public works | 2,200,273 | 356,828 | 1,427,062 | 161,331 | (255,052) |
| Health and welfare | 92,357 | | 16,930 | | (75,427) |
| Culture and recreation | 51,948 | | | | (51,948) |
| Conservation of natural resources | 47,167 | | | | (47,167) |
| Economic development and assistance | 128,745 | | 5,508 | | (123,237) |
| Debt service: | | | | | |
| Principal | 2,055,887 | | | | (2,055,887) |
| Interest | 48,628 | | | | (48,628) |
| Total Governmental Activities | <u>7,503,492</u> | <u>693,476</u> | <u>2,268,716</u> | <u>161,331</u> | <u>(4,379,969)</u> |
| General receipts: | | | | | |
| Property taxes | | | | \$ | 3,346,865 |
| Road & bridge privilege taxes | | | | | 120,004 |
| Grants and contributions not restricted to specific programs | | | | | 373,740 |
| Unrestricted interest income | | | | | 6,859 |
| Miscellaneous | | | | | 89,382 |
| Proceeds from debt issuance | | | | | 781,381 |
| Sale of county property | | | | | 102,649 |
| Transfers to Agency Funds | | | | | (6,411) |
| Total General Receipts, Other | | | | | |
| Cash Sources and Transfers | | | | | <u>4,814,469</u> |
| Changes in Net Assets | | | | | <u>434,500</u> |
| Net Assets - Beginning of year | | | | | <u>1,443,247</u> |
| Net Assets - End of year | | | | \$ | <u>1,877,747</u> |

The notes to the financial statements are an integral part of this statement.

WEBSTER COUNTY
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
September 30, 2012

Exhibit 3

| | Major Funds | | | | |
|-------------------------------------|-------------|----------|-------------|--------------|--------------|
| | General | Tornado | District #3 | Other | Total |
| | Fund | Disaster | Road | Governmental | Governmental |
| | Fund | 2011 | Maintenance | Funds | Funds |
| | Fund | Fund | Fund | Funds | Funds |
| ASSETS | | | | | |
| Cash | \$ 520,191 | 146,881 | 212,727 | 997,948 | 1,877,747 |
| Total Assets | \$ 520,191 | 146,881 | 212,727 | 997,948 | 1,877,747 |
| FUND BALANCES | | | | | |
| Restricted for: | | | | | |
| General government | \$ | | | 34,779 | 34,779 |
| Public safety | | | | 83,351 | 83,351 |
| Public works | | 146,881 | 212,727 | 829,961 | 1,189,569 |
| Culture and recreation | | | | 14,957 | 14,957 |
| Debt service | | | | 25,544 | 25,544 |
| Unemployment compensation | | | | 9,301 | 9,301 |
| Assigned to: | | | | | |
| General government | | | | 47 | 47 |
| Economic development and assistance | | | | 8 | 8 |
| Unassigned | 520,191 | | | | 520,191 |
| Total Fund Balances | \$ 520,191 | 146,881 | 212,727 | 997,948 | 1,877,747 |

The notes to the financial statements are an integral part of this statement.

WEBSTER COUNTY

Exhibit 4

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances -
 Governmental Funds
 For the Year Ended September 30, 2012

| | Major Funds | | | | |
|---|-------------------|------------------|-----------------|------------------|------------------|
| | General | Tornado | District #3 | Other | Total |
| | Fund | Disaster | Road | Governmental | Governmental |
| | Fund | 2011 | Maintenance | Funds | Funds |
| | Fund | Fund | Fund | Funds | Funds |
| RECEIPTS | | | | | |
| Property taxes | \$ 2,108,757 | 88,205 | 98,614 | 1,051,289 | 3,346,865 |
| Road and bridge privilege taxes | | | 27,001 | 93,003 | 120,004 |
| Licenses, commissions and other receipts | 88,977 | | | 10,020 | 98,997 |
| Fines and forfeitures | 120,666 | | | | 120,666 |
| Intergovernmental receipts | 443,448 | 1,453,800 | 110,994 | 795,545 | 2,803,787 |
| Charges for services | 12,655 | | | 461,158 | 473,813 |
| Interest income | 3,862 | 176 | 416 | 2,405 | 6,859 |
| Miscellaneous receipts | 48,085 | | | 41,297 | 89,382 |
| Total Receipts | <u>2,826,450</u> | <u>1,542,181</u> | <u>237,025</u> | <u>2,454,717</u> | <u>7,060,373</u> |
| DISBURSEMENTS | | | | | |
| General government | 1,733,508 | | | 159,070 | 1,892,578 |
| Public safety | 700,006 | | | 285,903 | 985,909 |
| Public works | | 186,805 | 270,561 | 1,742,907 | 2,200,273 |
| Health and welfare | 84,846 | | | 7,511 | 92,357 |
| Culture and recreation | 41,934 | | | 10,014 | 51,948 |
| Conservation of natural resources | 47,167 | | | | 47,167 |
| Economic development and assistance | 24,000 | | | 104,745 | 128,745 |
| Debt service: | | | | | |
| Principal - short term | | 1,418,051 | | | 1,418,051 |
| Principal - long term | 16,473 | | 53,775 | 567,588 | 637,836 |
| Interest | 934 | 10,377 | 2,567 | 34,750 | 48,628 |
| Total Disbursements | <u>2,648,868</u> | <u>1,615,233</u> | <u>326,903</u> | <u>2,912,488</u> | <u>7,503,492</u> |
| Excess (Deficiency) of Receipts over Disbursements | <u>177,582</u> | <u>(73,052)</u> | <u>(89,878)</u> | <u>(457,771)</u> | <u>(443,119)</u> |
| OTHER CASH SOURCES (USES) | | | | | |
| Proceeds from debt issuance - short term | | 388,733 | | | 388,733 |
| Proceeds from debt issuance - long term | 13,250 | | 38,299 | 341,099 | 392,648 |
| Sale of county property | | | 36,002 | 66,647 | 102,649 |
| Transfers in | 220,065 | 50,698 | 53,540 | 135,548 | 459,851 |
| Transfers out | (139,308) | (220,000) | | (106,954) | (466,262) |
| Total Other Cash Sources and Uses | <u>94,007</u> | <u>219,431</u> | <u>127,841</u> | <u>436,340</u> | <u>877,619</u> |
| Excess (Deficiency) of Receipts and other Cash Sources over Disbursements and other Cash Uses | <u>271,589</u> | <u>146,379</u> | <u>37,963</u> | <u>(21,431)</u> | <u>434,500</u> |
| Cash Basis Fund Balances - Beginning of year | <u>248,602</u> | <u>502</u> | <u>174,764</u> | <u>1,019,379</u> | <u>1,443,247</u> |
| Cash Basis Fund Balances - End of year | <u>\$ 520,191</u> | <u>146,881</u> | <u>212,727</u> | <u>997,948</u> | <u>1,877,747</u> |

The notes to the financial statements are an integral part of this statement.

WEBSTER COUTY
Statement of Fiduciary Assets and Liabilities - Cash Basis
September 30, 2012

Exhibit 5

| | <u>Agency Funds</u> |
|------------------------------------|-------------------------|
| ASSETS | |
| Cash | \$ 32,453 |
| Total Assets | \$ 32,453 |
| LIABILITIES | |
| Amounts held in custody for others | \$ 32,453 |
| Total Liabilities | \$ 32,453 |

The notes to the financial statements are an integral part of this statement.

WEBSTER COUNTY

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WEBSTER COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Webster County is a political subdivision of the State of Mississippi. The County is governed by an elected five-member Board of Supervisors. The financial statements of the County are presented on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America as established by the Governmental Accounting Standards Board. These accounting principles require Webster County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the County. There are no outside organizations that should be included as component units of the County's reporting entity.

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the County legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

B. Basis of Presentation.

The County's basic financial statements consist of government-wide statements, including a Statement of Net Assets – Cash Basis and a Statement of Activities – Cash Basis, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets – Cash Basis and Statement of Activities – Cash Basis display information concerning the County as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental receipts and other nonexchange receipts.

The Statement of Net Assets – Cash Basis presents the financial condition of the governmental activities of the County at year-end. The Government-wide Statement of Activities – Cash Basis presents a comparison between direct disbursements and program receipts for each function or program of the County's governmental activities. Direct disbursements are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other receipts not classified as program receipts are presented as general receipts of the County, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing or draws from the general receipts of the County.

WEBSTER COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

Fund Financial Statements:

Fund financial statements of the County are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities fund equity, receipts and disbursements. Funds are organized into governmental and fiduciary. Major individual Governmental Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

C. Measurement Focus and Basis of Accounting.

The Government-wide, Governmental Funds and Fiduciary Funds financial statements are presented on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves the reporting of only cash and cash equivalents and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) reported in the period in which they occurred. This cash basis of accounting differs from GAAP primarily because revenues (cash receipts) are recognized when received in cash rather than when earned and susceptible to accrual, and expenditures or expenses (cash disbursements) are recognized when paid rather than when incurred or subject to accrual.

The County reports the following major Governmental Funds:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

Tornado Disaster 2011 Fund – This fund is used to account for monies from specific revenue sources that are restricted for disaster recovery and debris removal projects.

District #3 Road Maintenance Fund - This fund is used to account for monies from specific sources that are restricted for road maintenance.

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific cash sources that are restricted or committed to disbursement for specified purposes other than debt service or capital projects.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to disbursement for principal and interest.

FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the County, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

WEBSTER COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

E. Deposits.

State law authorizes the County to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the County may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less).

F. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in two components:

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets not meeting the definition of "restricted."

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable restricted, committed assigned or unassigned. The following are descriptions of fund classifications used by the County:

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Assigned fund balance includes amounts that are constrained by the County's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the General Fund, this is the residual amount within the fund that is not classified as nonspendable and is neither restricted nor committed. Assignments of fund balance are created by the bookkeeper pursuant to authorization established by the Board of Supervisors minutes.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if disbursements paid for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When a disbursement is paid for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the County's general policy to use restricted resources first. When disbursements are paid for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the County's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

WEBSTER COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

G. Property Tax Receipts.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the County. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase. All property taxes are recognized as receipts when collected.

(2) Change in Accounting Principle.

Prior to October 1, 2011 the County's financial statements were presented using the modified accrual and accrual basis of accounting. For the fiscal year ended September 30, 2012, the basic financial statements are prepared on a cash basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

(3) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2012, was \$1,910,200, and the bank balance was \$2,292,986. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the County. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the County.

WEBSTER COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

(4) Interfund Transfers.

The following is a summary of interfund transfers at September 30, 2012:

Transfers In/Out:

| Transfer In | Transfer Out | Amount |
|-----------------------------------|----------------------------|------------|
| General Fund | Tornado Disaster 2011 Fund | \$ 220,000 |
| General Fund | Other Governmental Funds | 65 |
| Tornado Disaster 2011 Fund | General Fund | 50,698 |
| District #3 Road Maintenance Fund | General Fund | 5,690 |
| District #3 Road Maintenance Fund | Other Governmental Funds | 47,850 |
| Other Governmental Funds | General Fund | 76,548 |
| Other Governmental Funds | Other Governmental Funds | 59,000 |
| Agency Funds | General Fund | 6,372 |
| Agency Funds | Other Governmental Funds | 39 |
| Total | | \$ 466,262 |

The principal purposes of interfund transfers were to correct a 2011 tax collector settlement error, repay interfund loans and transfer reappraisal 1 mill to Tornado Disaster 2011. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(5) Claims and Judgments.

Risk Financing.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2012, to January 1, 2013. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(6) Contingencies.

Federal Grants - The County has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the disbursements of resources for allowable purposes. The County may be responsible for any disallowances.

Litigation - The County is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the County with respect to the various proceedings. However, the County's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the County.

WEBSTER COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

(7) Joint Venture.

The County participates in the following joint venture:

Webster County is a participant with the counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha and Winston and the Cities of Ackerman, Columbus, Eupora, Louisville, Macon, Starkville and West Point in a joint venture, authorized by Section 17-17-307, Miss. Code Ann. (1972), to operate the Golden Triangle Regional Solid Waste Management Authority. The joint venture was created for waste management purposes and is governed by 38 board members. No one primary government appoints a majority of the Authority's board members. Webster County did not appropriate any funds to the organization in the fiscal year 2012. Complete financial statements for the Golden Triangle Regional Solid Waste Management Authority can be obtained from Golden Triangle Planning and Development District, Post Office Box 828, Starkville, Mississippi 39760-0828.

(8) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Holmes Community College operates in a district composed of the Counties of Attala, Carroll, Choctaw, Grenada, Holmes, Madison, Montgomery, Webster and Yazoo. The Webster County Board of Supervisors appoints two of the 22 members of the board of trustees. The county appropriated \$109,413 for maintenance and support of the college in fiscal year 2012.

The Golden Triangle Planning and Development District operates in a district composed of the Counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The Webster County Board of Supervisors appoints four of the 28 members of the board of directors. The county appropriated \$24,000 for the district in fiscal year 2012.

Tombigbee Regional Library System provides services for the Counties of Choctaw, Clay, Monroe and Webster. The Webster County Board of Supervisors appoints one of the five members of the board of directors. The county appropriated \$36,200 for maintenance and support of the system in fiscal year 2012.

The Mississippi Regional Housing Authority IV operates in a district composed of the Counties of Carroll, Choctaw, Clay, Grenada, Lowndes, Montgomery, Oktibbeha, Webster and Winston. The Webster County Board of Supervisors appoints one of the nine board members. The counties generally provide no financial support to the organization.

Community Counseling Services operates in a district composed of the Counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The Webster County Board of Supervisors appoints one of the seven members of the board of directors. The county appropriated \$14,500 for the support of the agency in fiscal year 2012.

Prairie Opportunity, Inc. operates in a district composed of the Counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The Webster County Board of Supervisors appoints one of the 21 members of the board of directors. The other 14 board members are appointed by the counties. Most of the funding for the district is derived from federal funds, and the county provides a modest amount of financial support when matching funds are required for federal grants.

(9) Defined Benefit Pension Plan.

Plan Description. Webster County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

WEBSTER COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

Funding Policy. At September 30, 2012, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The rate at September 30, 2012 was 14.26% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2012, 2011 and 2010 were \$210,725, \$192,523 and \$189,523, respectively, equal to the required contributions for each year.

WEBSTER COUNTY

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WEBSTER COUNTY

OTHER INFORMATION

WEBSTER COUNTY

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WEBSTER COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2012
 UNAUDITED

| | Original Budget | Final Budget | Actual (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|--|--------------------|------------------|--------------------------------|---|
| RECEIPTS | | | | |
| Property taxes | \$ 1,898,292 | 2,108,757 | 2,108,757 | |
| Licenses, commissions and other receipts | 112,100 | 88,977 | 88,977 | |
| Fines and forfeitures | 153,205 | 120,666 | 120,666 | |
| Intergovernmental receipts | 398,814 | 443,448 | 443,448 | |
| Charges for services | 9,000 | 12,655 | 12,655 | |
| Interest income | 7,556 | 3,862 | 3,862 | |
| Miscellaneous receipts | 15,900 | 48,085 | 48,085 | |
| Total Receipts | <u>2,594,867</u> | <u>2,826,450</u> | <u>2,826,450</u> | <u>0</u> |
| DISBURSEMENTS | | | | |
| Current: | | | | |
| General government | 1,803,568 | 1,733,508 | 1,733,508 | |
| Public safety | 719,581 | 700,006 | 700,006 | |
| Health and welfare | 102,310 | 84,846 | 84,846 | |
| Culture and recreation | 41,450 | 41,934 | 41,934 | |
| Conservation of natural resources | 46,544 | 47,167 | 47,167 | |
| Economic development and assistance | 34,000 | 24,000 | 24,000 | |
| Debt service: | | | | |
| Principal | | 16,473 | 16,473 | |
| Interest | | 934 | 934 | |
| Total Disbursements | <u>2,747,453</u> | <u>2,648,868</u> | <u>2,648,868</u> | <u>0</u> |
| Excess of Receipts over (under) Disbursements | <u>(152,586)</u> | <u>177,582</u> | <u>177,582</u> | <u>0</u> |
| OTHER CASH SOURCES (USES) | | | | |
| Proceeds from debt | | 13,250 | 13,250 | |
| Transfers in | | 220,065 | 220,065 | |
| Transfers out | <u>(101,396)</u> | <u>(139,308)</u> | <u>(139,308)</u> | |
| Total Other Cash Sources and Uses | <u>(101,396)</u> | <u>94,007</u> | <u>94,007</u> | <u>0</u> |
| Net Change in Fund Balance | (253,982) | 271,589 | 271,589 | 0 |
| Fund Balances - Beginning | <u>381,215</u> | <u>248,602</u> | <u>248,602</u> | <u>0</u> |
| Fund Balances - Ending | <u>\$ 127,233</u> | <u>520,191</u> | <u>520,191</u> | <u>0</u> |

The accompanying notes to the Other Information are an integral part of this statement.

WEBSTER COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Tornado Disaster 2011
 For the Year Ended September 30, 2012
 UNAUDITED

| | Original Budget | Final Budget | Actual (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|--|--------------------|------------------|--------------------------------|---|
| RECEIPTS | | | | |
| Property taxes | \$ 94,712 | 88,205 | 88,205 | |
| Intergovernmental receipts | 904,000 | 1,453,800 | 1,453,800 | |
| Interest income | | 176 | 176 | |
| Total Receipts | <u>998,712</u> | <u>1,542,181</u> | <u>1,542,181</u> | <u>0</u> |
| DISBURSEMENTS | | | | |
| Current: | | | | |
| Public works | 900,000 | 186,805 | 186,805 | |
| Debt service: | | | | |
| Principal | | 1,418,051 | 1,418,051 | |
| Interest | | 10,377 | 10,377 | |
| Total Disbursements | <u>900,000</u> | <u>1,615,233</u> | <u>1,615,233</u> | <u>0</u> |
| Excess of Receipts over (under) Disbursements | <u>98,712</u> | <u>(73,052)</u> | <u>(73,052)</u> | <u>0</u> |
| OTHER CASH SOURCES (USES) | | | | |
| Proceeds from debt | | 388,733 | 388,733 | |
| Transfers in | 50,698 | 50,698 | 50,698 | |
| Transfers out | | (220,000) | (220,000) | |
| Total Other Cash Sources and Uses | <u>50,698</u> | <u>219,431</u> | <u>219,431</u> | <u>0</u> |
| Net Change in Fund Balance | 149,410 | 146,379 | 146,379 | 0 |
| Fund Balances - Beginning | | 502 | 502 | 0 |
| Fund Balances - Ending | <u>\$ 149,410</u> | <u>146,881</u> | <u>146,881</u> | <u>0</u> |

The accompanying notes to the Other Information are an integral part of this statement.

WEBSTER COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 District #3 Road Maintenance Fund
 For the Year Ended September 30, 2012
 UNAUDITED

| | Original Budget | Final Budget | Actual (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|--|--------------------|-----------------|--------------------------------|---|
| RECEIPTS | | | | |
| Property taxes | \$ 106,551 | 98,614 | 98,614 | |
| Road and bridge privilege taxes | 25,710 | 27,001 | 27,001 | |
| Intergovernmental receipts | 99,385 | 110,994 | 110,994 | |
| Interest income | 300 | 416 | 416 | |
| Total Receipts | <u>231,946</u> | <u>237,025</u> | <u>237,025</u> | <u>0</u> |
| DISBURSEMENTS | | | | |
| Current: | | | | |
| Public works | 232,377 | 270,561 | 270,561 | |
| Debt service: | | | | |
| Principal | | 53,775 | 53,775 | |
| Interest | | 2,567 | 2,567 | |
| Total Disbursements | <u>232,377</u> | <u>326,903</u> | <u>326,903</u> | <u>0</u> |
| Excess of Receipts over (under) Disbursements | <u>(431)</u> | <u>(89,878)</u> | <u>(89,878)</u> | <u>0</u> |
| OTHER CASH SOURCES (USES) | | | | |
| Proceeds from debt | | 38,299 | 38,299 | |
| Sale of county property | | 36,002 | 36,002 | |
| Transfers in | | 53,540 | 53,540 | |
| Transfers out | (1,000) | | | |
| Total Other Cash Sources and Uses | <u>(1,000)</u> | <u>127,841</u> | <u>127,841</u> | <u>0</u> |
| Net Change in Fund Balance | (1,431) | 37,963 | 37,963 | 0 |
| Fund Balances - Beginning | <u>85,970</u> | <u>174,764</u> | <u>174,764</u> | <u>0</u> |
| Fund Balances - Ending | <u>\$ 84,539</u> | <u>212,727</u> | <u>212,727</u> | <u>0</u> |

The accompanying notes to the Other Information are an integral part of this statement.

WEBSTER COUNTY
Schedule of Capital Assets
For the Year Ended September 30, 2012
UNAUDITED

Governmental activities:

| | Balance Oct. 1, 2011 | Additions | Deletions | Adjustments* | Balance Sept. 30, 2012 |
|--------------------------------------|-------------------------|----------------|------------------|--------------|---------------------------|
| Land | \$ 148,290 | 25,000 | 57,500 | | 115,790 |
| Construction in progress | 921,456 | 288,656 | | (760,491) | 449,621 |
| Infrastructure | 3,094,895 | | | 760,491 | 3,855,386 |
| Buildings | 2,101,700 | | 677,114 | | 1,424,586 |
| Mobile equipment | 2,969,900 | 76,100 | 277,144 | 137,615 | 2,906,471 |
| Furniture and equipment | 269,959 | | | 18,872 | 288,831 |
| Leased property under capital leases | 1,134,222 | 128,148 | 97,356 | (156,487) | 1,008,527 |
| Total capital assets | \$ <u>10,640,422</u> | <u>517,904</u> | <u>1,109,114</u> | <u>0</u> | <u>10,049,212</u> |

* The adjustment column includes reclassification of paid off capital leases to mobile equipment and to furniture and equipment.
It also includes reclassification of completed construction projects to infrastructure.

WEBSTER COUNTY
Schedule of Changes in Short-term Debt
For the Year Ended September 30, 2012
UNAUDITED

The following is a summary of short-term debt activity for the year ended September 30, 2012:

| Description of Debt | Balance Oct. 1, 2011 | Additions | Reductions | Adjustments | Balance Sept. 30, 2012 |
|---|-------------------------|-----------|------------|-------------|---------------------------|
| Disaster line of credit | \$ 1,029,318 | 63,000 | 1,092,318 | | |
| Refinance of disaster line of credit | | 325,733 | 325,733 | | |
| Total | \$ 1,029,318 | 388,733 | 1,418,051 | 0 | 0 |

During the month of July, 2011, the County established a line of credit to borrow up to \$2,000,000 with an interest rate of 2.14% and maturity date of March 15, 2012 in order to provide funding for disaster clean up expenditures until reimbursement is received from federal and state government agencies.

During the month of April, 2012, the County refinanced \$325,733 of the disaster line of credit at an interest rate of 2.18%. This debt was paid off in June, 2012.

WEBSTER COUNTY
Schedule of Changes in Long-term Debt
For the Year Ended September 30, 2012
UNAUDITED

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2012:

| Description and Purpose | Issue Date | Maturity Date | Interest Rate | Balance Oct. 1, 2011 | Issued | Principal Payments | Balance Sept. 30, 2012 |
|------------------------------------|------------|---------------|---------------|-------------------------|---------|-----------------------|---------------------------|
| Governmental Activities: | | | | | | | |
| A. General Obligation Bonds: | | | | | | | |
| 1999 bridge bonds | 5/1/1999 | 5/1/2014 | 4.70% | \$ 130,000 | | 40,000 | 90,000 |
| 1999 road equipment bonds | 11/15/1999 | 11/1/2014 | 5.20% | 170,000 | | 40,000 | 130,000 |
| B. Capital Leases: | | | | | | | |
| IBM E-Server computer system | 1/25/2009 | 1/25/2012 | 3.39% | 2,192 | | 2,192 | |
| 2009 Ford Crown Victoria | 5/25/2009 | 5/25/2013 | 3.44% | 10,664 | | 6,326 | 4,338 |
| 2009 Ford Crown Victoria | 6/25/2010 | 6/25/2014 | 3.55% | 16,510 | | 5,818 | 10,692 |
| Ford Ranger pickup | 2/7/2012 | 2/7/2016 | 1.95% | | 13,250 | 2,137 | 11,113 |
| 2010 Ford F-150 truck - District 3 | 3/25/2010 | 3/25/2014 | 3.44% | 10,998 | | 4,440 | 6,558 |
| Motorgrader | 6/10/2010 | 6/10/2014 | 3.55% | 45,531 | | 16,572 | 28,959 |
| Pot Hole patcher | 10/15/2008 | 7/15/2012 | 3.44% | 12,415 | | 12,415 | |
| 2010 Mack truck | 12/14/2009 | 3/25/2012 | 3.25% | 70,208 | | 70,208 | |
| 2013 Mack truck | 5/18/2012 | 5/14/2014 | 1.40% | 0 | 114,898 | 9,457 | 105,441 |
| Motorgrader | 11/15/2006 | 12/15/2011 | 4.32% | 105,206 * | | 105,206 | |
| Motorgrader | 12/21/2011 | 12/21/2015 | 2.29% | | 104,000 | 20,889 | 83,111 |
| Three (3) Mack dump trucks | 3/15/2008 | 4/5/2012 | 3.98% | 202,518 * | | 202,518 | |
| 2008 Mack truck | 4/12/2012 | 4/12/2015 | 1.55% | | 160,500 | 21,879 | 138,621 |
| Three (3) trucks | 5/15/2008 | 5/15/2012 | 3.98% | 7,194 | | 7,194 | |
| Tractor/bushhog | 8/10/2007 | 8/10/2012 | 4.64% | 8,107 | | 8,107 | |
| 2010 Ford F-150 truck - District 5 | 10/25/2009 | 10/25/2013 | 3.44% | 9,342 | | 4,591 | 4,751 |
| Case motorgrader | 1/15/2009 | 1/15/2013 | 3.39% | 27,864 | | 22,197 | 5,667 |
| C. Other Loans: | | | | | | | |
| E-911 Motorola Loan | 7/18/2011 | 8/1/2012 | 4.74% | 35,690 | | 35,690 | |
| Front Line Apparel MDA Loan | 5/7/2007 | 11/1/2009 | 3.00% | 108,833 | | | 108,833 ** |
| Front Line Apparel MDA Loan | 8/13/2008 | 7/1/2011 | 3.00% | 242,500 | | | 242,500 ** |
| Total | | | | \$ 1,215,772 | 392,648 | 637,836 | 970,584 |

*Refinanced

** On June 14, 2010, the Mississippi Development Authority notified Webster County that based on the County's good faith attempts to secure repayment of the loans receivable associated with these loans, the Mississippi Development Authority does not expect Webster County to continue collection efforts on these loans. The Mississippi Development Authority approved the closeout of this project on January 19, 2011. However, due to state law, Mississippi Development Authority cannot write off this loan payable from the County to MDA.

The accompanying notes to the Other Information are an integral part of this statement.

WEBSTER COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2012
UNAUDITED

| Name | Position | Company | Bond |
|--------------------------|-------------------------------|---------------------------------------|-----------|
| Robert Hitt | Supervisor District 1 | Western Surety Company | \$100,000 |
| Patrick S. Cummings, Sr. | Supervisor District 2 | Travelers Casualty and Surety Company | \$100,000 |
| Randy Rico | Supervisor District 3 | Western Surety Company | \$100,000 |
| Paul Crowley | Supervisor District 4 | Western Surety Company | \$100,000 |
| Doug Burgess | Supervisor District 5 | FCCI Insurance Company | \$100,000 |
| Russell S. Turner | Chancery Clerk | Travelers Casualty and Surety Company | \$100,000 |
| Amanda F. Embry | Purchase Clerk | RLI Insurance Company | \$75,000 |
| Charlotte Jones | Assisstant Purchase Clerk | Travelers Casualty and Surety Company | \$50,000 |
| Steven Hodges | Receiving Clerk | Travelers Casualty and Surety Company | \$75,000 |
| Russell S. Turner | Inventory Control Clerk | Travelers Casualty and Surety Company | \$75,000 |
| David Paul Murphy, Sr. | Constable | Travelers Casualty and Surety Company | \$50,000 |
| Jeffrey D. McMinn | Constable | Travelers Casualty and Surety Company | \$50,000 |
| Deboray Hood Neal | Circuit Clerk | Travelers Casualty and Surety Company | \$100,000 |
| Sherry Henderson | Deputy Circuit Clerk | Travelers Casualty and Surety Company | \$50,000 |
| Wanda Berryhill | Deputy Circuit Clerk | Travelers Casualty and Surety Company | \$50,000 |
| Timothy S. Mitchell | Sheriff | Western Surety Company | \$100,000 |
| Rebecca E. Ellison | Justice Court Judge | Travelers Casualty and Surety Company | \$50,000 |
| Jerry Jones | Justice Court Judge | State Farm Insurance | \$50,000 |
| Janice Brunty | Justice Court Clerk | RLI Insurance Company | \$50,000 |
| Melissa Dean | Deputy Justice Court Clerk | Travelers Casualty and Surety Company | \$50,000 |
| Barbara Gore | Tax Collector-Assessor | Western Surety Company | \$100,000 |
| Jane Norman | Deputy Tax Assessor/Collector | Western Surety Company | \$50,000 |
| Margaret Ann May | Deputy Tax Assessor/Collector | Western Surety Company | \$50,000 |
| Carolyn Lane | Deputy Tax Assessor/Collector | Western Surety Company | \$50,000 |
| Christie Ross | Deputy Tax Assessor/Collector | Western Surety Company | \$50,000 |
| James Steven Well | Coroner | Western Surety Company | \$100,000 |

WEBSTER COUNTY

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WEBSTER COUNTY

Notes to the Other Information For the Year Ended September 30, 2012 UNAUDITED

(1) Budgetary Comparison Information.

A. Budgetary Information.

Statutory requirements dictate how and when the County's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the County, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of receipt, each general item of disbursement, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The County's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary basis and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund.

(2) Long-term Debt information:

A. Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2012, the amount of outstanding debt was less than 1% of the latest property assessments.

B. Subsequent Events.

Subsequent to September 30, 2012, the County issued the following debt obligations:

| <u>Issue Date</u> | <u>Interest Rate</u> | <u>Issue Amount</u> | <u>Type of Financing</u> | <u>Source of Financing</u> |
|-------------------|----------------------|---------------------|--------------------------|----------------------------|
| 11/30/2012 | 1.83% | \$ 500,000 | Negotiable notes | Ad valorem taxes |
| 05/25/2013 | 1.54% | 113,689 | Capital lease | Ad valorem taxes |

On January 17, 2013, the Webster County Courthouse was heavily damaged by fire. The County has a blanket insurance policy for \$6,193,000 that covers all county owned buildings with an additional \$1,127,000 for personal property coverage. The county is currently working with the insurance company to determine the amount of damage to the courthouse and to submit information for the insurance claim.

WEBSTER COUNTY

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WEBSTER COUNTY

SPECIAL REPORTS

WEBSTER COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE
FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Supervisors
Webster County, Mississippi

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Webster County, Mississippi, (the County) as of and for the year ended September 30, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 10, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Webster County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 12-1, 12-2, 12-3, 12-4, 12-5, 12-6 and 12-7 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Webster County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 12-2.

We also noted certain matters that we reported to the management of Webster County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated December 10, 2013, included within this document.

Webster County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit Webster County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Will R. Dooss", with a stylized flourish at the end.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

December 10, 2013



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

**INDEPENDENT AUDITOR'S REPORT ON CENTRAL PURCHASING SYSTEM,
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors
Webster County, Mississippi

We have examined Webster County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2012. The Board of Supervisors of Webster County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Webster County, Mississippi, has established centralized purchasing for all funds of the County and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

The results of our audit procedures disclosed an instance of noncompliance with the aforementioned code sections. This instance of noncompliance was considered in forming our opinion on compliance. Our finding and recommendation and your response are disclosed below:

Assistant Receiving Clerk.

Assistant Receiving Clerk should be bonded.

Finding

Section 31-7-124, Miss. Code Ann. (1972), requires the Assistant Receiving Clerk to execute a bond for \$50,000 to be payable, conditioned and approved as provided by law. Section 25-1-15, Miss. Code Ann. (1972), requires a new bond in an amount not less than that required by law shall be secured upon employment and coverage shall continue by the securing of a new bond every four years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee.

The Assistant Receiving Clerk for Webster County was not bonded during fiscal year ended September 30, 2012. The failure to bond the Assistant Receiving Clerk could result in the loss of public funds.

Recommendation

The Assistant Receiving Clerk should execute a current bond for the amount required by law.

Assistant Receiving Clerk's Response

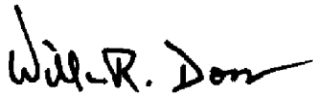
The Assistant Receiving Clerk will execute a bond in the amount of \$50,000 for the term running concurrent with the Governor.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Webster County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2012.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

Webster County's response to the finding included in this report was not audited, and accordingly, we express no opinion on it.

This report is intended for use in evaluating the central purchasing system and inventory control system of Webster County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Will R. Dooss".

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

December 10, 2013

WEBSTER COUNTY

Schedule 1Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2012

| <u>Date</u> | <u>Item Purchased</u> | <u>Bid Accepted</u> | <u>Vendor</u> | <u>Lowest Bid</u> | <u>Reason for Accepting Other Than the Lowest Bid</u> |
|-------------|-----------------------|---------------------|--------------------------------|-------------------|---|
| 10/24/2011 | Paving repair | \$ 24,050 | Site Masters Construction | \$ 18,500 | Supervisors were very satisfied with previous work. |
| 6/14/2012 | #7 Limestone | 19.75/ ton | Limestone Red Bay | 10.60/ton | Low bid would cause additional fuel cost due to distance. |
| 7/11/2012 | #7 Limestone | 19.75/ ton | Limestone Red Bay | 10.60/ton | Low bid would cause additional fuel cost due to distance. |
| 7/31/2012 | John Deere tractor | 59,600 | Scruggs Farm, Lawn & Garden | 59,000 | Resale value |

WEBSTER COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2012

Schedule 2

Our test results did not identify any emergency purchases.

WEBSTER COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2012

Our test results did not identify any purchases made noncompetitively from a sole source.

WEBSTER COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Webster County, Mississippi

In planning and performing our audit of the financial statements of Webster County, Mississippi (the County) for the year ended September 30, 2012, we considered Webster County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Webster County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated December 10, 2013, on the financial statements of Webster County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain areas that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors, Chancery Clerk and Sheriff.

1. Employees who work more than 20 per week or 80 hours per month should be included in the Public Employees Retirement System.

Finding

The Mississippi Public Employees' Retirement System's Regulation 36 states, "for purpose of eligibility for participation in the Retirement System, a position means any position in which the employee personally performs services and receives compensation for not less than 20 hours per week or a total of 80 hours per month." Audit test work revealed one employee was classified as part-time and did not participate in the PERS Retirement Plan, yet was working in excess of 80 hours per month consistently throughout the year. Failure to properly monitor hours worked by employees to ensure compliance with PERS regulations has resulted in the omission of the employee and employer share of retirement being submitted to PERS.

Recommendation

Management of the county should ensure that all employees who work in excess of 80 hours per month on a consistent basis participate in PERS and that contributions be submitted to PERS on their behalf.

Board of Supervisors' Response

No employee will work over 80 hours in any pay period and not be reported to PERS in the future.

Chancery Clerk's Response

The Chancery Clerk will ensure that all employees that work in excess of 80 hour per month are reported and contributions are submitted to PERS.

Sheriff's Response

Part-time employees will not work over 129 hours because of insurance. State retirement is being held out now.

Sheriff.

2. Effective internal controls should be implemented over deposits in the Sheriff's office.

Finding

An effective system of internal control over the collection of cash should include making timely deposits. The Sheriff's office is making one deposit per month. The Sheriff did not have policies and procedures in place to ensure that deposits were made in a timely manner. Failure to make timely deposits could result in the loss of public funds.

Recommendation

The Sheriff should ensure that all funds are deposited in a timely manner.

Sheriff's Response

We will start making weekly deposits.

Circuit Clerk.

3. Circuit Clerk should properly maintain a fee journal.

Finding

Section 9-1-43, Miss. Code Ann. (1972), requires the Circuit Clerk to maintain a fee journal to account for the receipts and expenses related to the operation of the office. A fee journal was not maintained for 2012. On May 1, 2013, a 2012 fee journal was prepared when the auditor requested. Failure to maintain a fee journal could result in a loss of public funds.

Recommendation

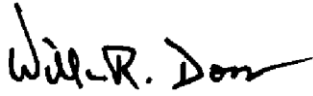
The Circuit Clerk should properly maintain a fee journal to account for the receipts and expenses related to the operation of the office.

Circuit Clerk's Response

Fee journal and bank reconciliation of and for 2012 was accounted and maintained, but was not on prescribed spread sheet as required. This was done immediately and turned in to auditor. All monies and disbursements were accounted for.

Webster County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Will R. Doss". The signature is written in a cursive, flowing style.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

December 10, 2013

WEBSTER COUNTY

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WEBSTER COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

WEBSTER COUNTY

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WEBSTER COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2012

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|---------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified |
| 2. | Internal control over financial reporting: | |
| a. | Material weaknesses identified? | Yes |
| b. | Significant deficiencies identified? | None Reported |
| 3. | Noncompliance material to the financial statements noted? | Yes |

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

- 12-1. The Board of Supervisors should establish a written disaster recovery process.

Finding

Disaster recovery involves defining and documenting plans to help sustain and recover critical information technology resources, information systems, and associated business functions. *Control Objectives for Information and Related Technology* (CobiT, Section DS4), as well as recognized industry best practices, require a written disaster recovery plan be developed and tested regularly to provide orderly recovery of vital functions in the event of a hardware or environmental disaster. Webster County does not have a written disaster recovery process. Failure to maintain an adequate written recovery plan could impede the County's ability to regain computer operations in the event of a disaster.

There are a number of steps that an organization can take to prevent or minimize the damage to automated operations that may occur from unexpected events. One example is routinely backing up all data files and programs for all county offices and functions and securely storing them at an off-site location. Such actions maintain the organization's ability to restore data files, which may be impossible to re-create.

Recommendation

Webster County should develop and implement a written disaster recovery plan documenting procedures to be followed in backing up data files and the storage of these files as well as procedures to be followed during an emergency. All county officials and employees should be made aware of their responsibilities in carrying out these procedures regarding backup and storage of data files as well as their responsibilities in the event of a disaster. Once the plan is completed, it should be subjected to proper testing to ensure that the data file and program backup is actually working as designed and that all data files and programs are included in the backup and are being stored at an off-site location.

Board of Supervisors' Response

Webster County will develop written disaster recovery plan and make all employees and officials aware of their responsibility in the event of an emergency or disaster along with testing to ensure that data files are backed up. As of October 1, 2013 the server is being backed up with tape locally and at two off site locations.

WEBSTER COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2012

Tax Assessor-Collector.

Material Weakness

Material Noncompliance

- 12-2. Tax Assessor-Collector should collect ad valorem taxes on all exempt industries for Holmes Community College.

Finding

Section 27-31-101, Miss. Code Ann. (1972), authorizes the Board of Supervisors to grant exemptions from ad valorem taxation, except for state ad valorem taxes and school district ad valorem taxes. The Tax Assessor-Collector did not collect the two mills for support and maintenance of Holmes Community College from exempt industries. Failure to collect the two mills for support and maintenance of Holmes Community College from exempt industries resulted in a loss of ad valorem taxes.

Recommendation

The Tax Assessor-Collector should ensure that exempt industries pay the two mills for support and maintenance of Holmes Community College on ad valorem taxes in the future.

Tax Assessor-Collector's Response

I will talk to Data Systems about correcting this issue.

Material Weakness

- 12-3. Controls over cash collections and disbursements in the Tax Collector's office should be strengthened.

Finding

An effective system of internal control should include an adequate separation of duties. As reported in the prior three years' audit reports, cash collection and disbursement functions in the Tax Assessor-Collector's office are not adequately separated for effective internal control. The Tax Assessor-Collector prepares deposits, calculates the monthly settlements, posts to the cash journal, reconciles the bank statements and disburses all funds. Failure to have an adequate separation of duties could result in the loss of public funds.

Recommendation

The Tax Assessor-Collector should implement a system for review of the accounting records by another person.

Tax Assessor-Collector's Response

Our county is very small and don't have adequate amount of staff.

WEBSTER COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2012

Circuit Clerk.

Material Weakness

- 12-4. Controls over cash collections and disbursements in the Circuit Clerk's office should be strengthened.

Finding

An effective system of internal control should include an adequate separation of duties. As reported in the prior three years' audit reports, cash collection and disbursement functions in the Circuit Clerk's office are not adequately separated for effective internal control. One deputy circuit clerk posts the cash journal, calculates the monthly settlements and disburses the funds and reconciles the bank statements. Failure to have an adequate separation of duties could result in the loss of public funds.

Recommendation

The Circuit Clerk should implement a system for review of the accounting records by another person.

Circuit Clerk's Response

We will separate duties. Each month is checked and initialed by circuit clerk all though one person may write check, receipt and disburse money. I personally check each month bank statements, cash journal and reconciled bank statements and feel all money is accounted for.

Justice Court Clerk.

Material Weakness

- 12-5. Controls over cash collections and disbursements in the Justice Court Clerk's office should be strengthened.

Finding

An effective system of internal control should include an adequate separation of duties. As reported in the prior three years' audit reports, cash collection and disbursement functions in the Justice Court office are not adequately separated for effective internal control. Both Justice Court Clerks are involved in preparing deposits, calculating the monthly settlements, reconciling the bank statements, and disbursing funds. Failure to have an adequate separation of duties could result in the loss of public funds.

Recommendation

The Justice Court Clerk's office should implement a system for review of the accounting records by another person.

Justice Court's Response

With only two in the office, duties have to be shared, especially if one of us is out the other has to know what to do.

WEBSTER COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2012

Material Weakness

12-6. Controls over accounting for cash collections in the Justice Court should be strengthened.

Finding

An effective system of internal control over cash collections in the Justice Court Clerk's office should include the proper recording of all collections and settlements in the cash journal and the reconciliation of the cash balances in the cash journals to the bank account each month. Bank reconciliations should include documentation to support any reconciling items. As reported in the prior two years' audit reports, we noted the following deficiencies per the September 30, 2012 Justice Court records:

- a. The bond bank account was not reconciled to the cash balance reported in the bond cash journal. The September 30, 2012 Justice Court bond bank reconciliation indicated an unexplained difference of \$8,007 in the Justice Court bond bank account as compared to the cash balance reported in the cash journal as of that date.
- b. Adjustments to the Justice Court clearing account bank reconciliation were not adequately documented or supported by documentation.

Furthermore, a Justice Court cash count conducted by the auditor on April 25, 2013, revealed.

- a. A cash shortage in the cash bond account of \$1,137.
- b. A cash shortage in the clearing account of \$1,075.

Failure to properly reconcile cash balances per cash journal to bank account and to adequately document reconciling items could result in the loss of public funds.

Recommendation

The Justice Court Clerk should ensure that cash reported in the bond cash journal is reconciled to the bank account. The Justice Court Clerk should implement a system for review of the accounting records by another person. The Justice Court Clerk should ensure that documentation is maintained to support reconciling items. The Justice Court Clerk should either provide documentation to resolve the cash shortages noted in the April 25, 2013 cash count or pay the amount of these shortages to the county.

Justice Court Clerk's Response

There was a shortage found and afterwards we went back and found some of the errors and forwarded the necessary paper work to the auditor.

Auditor's Note:

The cash shortage amounts reported have been adjusted to allow for documentation provided by the Justice Court Clerk.

WEBSTER COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2012

Material Weakness

- 12-7. Effective internal controls should be implemented over deposits in the Justice Court Clerk's office.

Finding

An effective system of internal control over the collection of cash should include making timely deposits. Test work revealed that the Justice Court Clerk is not making timely deposits. The Justice Court Clerk is sometimes holding cash collections for several weeks. All deposits were held several days. The Justice Court Clerk did not have policies and procedures in place to ensure that deposits were made in a timely manner. Failure to make timely deposits could result in the loss of public funds.

Recommendation

The Justice Court Clerk should ensure that all funds are deposited in a timely manner.

Justice Court Clerk's Response

We have made a special effort to make sure all deposits are made by the next day.